

Message Text

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TO AMEMBASSY LISBON PRIORITY

C O N F I D E N T I A L STATE 162933

EXDIS

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJECT: RUMORED USG ADVICE TO WITHDRAW FUNDS FROM
PORTUGUESE BANK

REFS: A) LISBON 3841, B) STATE 200072 OF 9/1/74

1. SECURITY PACIFIC, WHILE A MEMBER OF THE FEDERAL RE-
SERVE, IS A NATIONAL BANK AND THEREFORE EXAMINED BY THE
COMPTROLLER OF THE CURRENCY. THE FED EXAMINES ONLY ITS
EDGE INVESTMENT CORPORATIONS.

2. THE COMPTROLLER EXAMINED SECURITY PACIFIC IN APRIL 1975
INCLUDING LOANS OF THE LONDON BRANCH. ACCORDING TO
THE EXAMINERS' REPORT THEY GAVE NO ADVICE OR RECOMMENDATION
ON SECURITY PACIFIC'S EXPOSURE IN PORTUGUESE BANKS. THIS
WAS FURTHER CONFIRMED IN A TELEPHONE CONVERSATION WITH
THE LONDON BASED EXAMINER EVENING OF JUNE 9.

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3. FED EXAMINERS DID NOT DISCUSS EXPOSURE IN PORTUGAL

WITH SECURITY'S NEW YORK EDGE CORP DURING EXAMINATION LAST SUMMER OR WITH WEST COAST EDGE CORP DURING NOVEMBER 1974 EXAMINATION. IN BOTH CASES, COURSE OF EVENTS IN PORTUGAL WERE NOT SUCH AS TO WARRENT PARTICULAR ATTENTION OF EXAMINERS.

4. DURING EXAMINATION OF SECURITY PACIFIC'S L.A. OFFICES IN JUNE 1975, COMPTROLLER'S EXAMINER DISCUSSED ISSUE OF PORTUGAL, BUT MADE NO REPEAT NO CRITICISM OR RECOMMENDATIONS. AN OFFICIAL OF THE BANK WAS SUBSEQUENTLY TRANSFERRED TO SECURITY PACIFIC'S LONDON BRANCH. IT IS POSSIBLE THAT HE SOMEHOW MISUNDERSTOOD DISCUSSION OR CHOSE TO MISCONSTRUE IT FOR HIS OWN PURPOSES.

5. NO GUIDELINES ON EXPOSURE IN PORTUGUESE BANKS HAVE BEEN TRANSMITTED TO FED OR COMPTROLLER EXAMINERS. THE EXAMINER'S EVALUATION AND RECOMMENDATION ON THE ASSET AND LIABILITY POSITION OF A BANK IS A STRICTLY CONFIDENTIAL MATTER WHICH SHOULD NOT BE DIVULGED BY EITHER PARTY (SEE REF B). THERE HAVE BEEN UNFORTUNATE INCIDENTS WHERE BANKS HAVE INCORRECTLY USED THESE RECOMMENDATIONS AS AN EXCUSE TO DENY LOANS OR TAKE OTHER ACTIONS. U.S. AGENCIES ARE CONSIDERING WHAT STEPS MIGHT BE TAKEN IN THIS CASE, ALTHOUGH AVAILABLE INFORMATION ON WHAT ACTUALLY HAPPENED IS STILL INCOMPLETE.

6. SHOULD YOU DISCUSS THIS ISSUE IN PRIVATE CONVERSATIONS WITH GOP OFFICIALS AND BANKING CONTACTS YOU MIGHT WITH TO DRAW UPON REF B AND DISCREETLY MAKE FOLLOWING POINTS: USG BANK EXAMINERS HAVE GIVEN NO RECOMMENDATION THAT EXPOSURE IN PORTUGAL BE REDUCED OR CURTAILED. US AGENCIES ARE INVESTIGATING THE ORIGIN OF RUMORS THAT SUCH AN INSTRUCTION WAS GIVEN TO A US BRANCH BANK IN LONDON. WE BELIEVE THAT A MERE PRIVATE CONVERSATION WITH AN EXAMINER, NOT A RECOMMENDATION, MAY HAVE BEEN MISUNDERSTOOD OR PURPOSEFULLY MISCONSTRUED BY A US BANK. WE ARE CONSIDERING WHAT ACTIONS THE USG MIGHT TAKE

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AGAINST THE BANK AND MEASURES TO ASSURE THAT SUCH AN UNFORTUNATE INCIDENT DOES NOT OCCUR AGAIN. INGERSOLL

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